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C O N F I D E N T I A L QUITO 000616

SIPDIS

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TAGS: [PGOV](#) [EC](#)
SUBJECT: GOE SEIZES ISAIAS GROUP PROPERTY

Classified By: DCM Jefferson T. Brown for reasons 1.4 (b) and (d)

¶1. (SBU) Summary: GOE financial regulatory authorities seized two major television stations and other properties owned by the Isaias Group on July 8. While some business leaders and members of the political opposition are accusing the government of attempting to suppress freedom of speech, the GOE, supported publicly by many independent and opposition voices, claims that it is simply carrying out the law. To add fat to the fire, Minister of Economy Fausto Ortiz resigned July 7, protesting the action. The seizures took place hours after the Constituent Assembly passed constitutional language limiting government control of the media. End Summary.

LATE NIGHT ACTION

¶2. (SBU) In the wee hours of July 8, agents of the Deposit Guarantee Agency (AGD) seized several commercial properties including two major television stations (Gamavision and TC) owned by the Isaias Group. The seizures took place following the conclusion of an AGD audit which concludes that depositors in the Isaias-owned Filanbanco Bank have lost \$661 million since 1998, while the Isaias family has profited substantially. President Correa's office issued a statement shortly after the seizures were carried out, citing article 29 of the Law of Reorganization for Economic and Tax Issues as the rationale behind the action. Enrique Arosemena, who has been appointed Interim Administrator for both television stations, said that the action was simply "a seizure of debt and not a government intervention into mass-media."

¶3. (C) Members of the business community were quick to cry foul, suggesting that the GOE was acting to suppress freedom of speech and silence media outlets critical of the Correa administration. Isaias family member and businessman Estefano Isaias told Guayaquil Consul General on July 8 that the government's "real intention is to control the media." He said that the audit was "invalid" and suggested that the U.S. accountants who participated in the audit agree with him. Quito Chamber of Commerce President Blasco Penaherrera told a radio interviewer July 8 that the government's actions constituted "the beginning of the end of freedom the press." Paula Poggi, Marketing Director for the La Hora newspaper in Manabi, told Guayaquil poloff that the timing of the seizures was designed "to take attention away from the Constituent Assembly." However, opposition reaction to the seizures was mixed. While Guayaquil Mayor Jaime Nebot was critical, opposition Constituent Assembly Member and respected economist Pablo Lucio Paredes (Future Yes) applauded the action, declaring that that it was done within "a legal framework." He cautioned, however, that the government should liquidate the assets as quickly as possible to avoid any appearance of impropriety. Andean Parliament President and former Ecuadorian Ambassador to the United States Ivonne

Baki did not challenge the decision per se, but questioned why the action needed to be taken under the cloak of darkness.

¶4. (SBU) Minister of Finance Fausto Ortiz resigned late in the evening July 7 after refusing to sign the authorization to conduct the seizures. Media reports suggest that Ortiz stormed out of a cabinet meeting after a disagreement with President Correa on the subject. Wilma Salgado, a former AGD Manager and current Andean Parliamentarian, will succeed Ortiz. (Additional information to be supplied septel.)

¶5. (SBU) In what the government claims to be an unrelated move, Guayaquil-based Radio Sucre (not linked to the Isaias Group) was closed down late on July 7 by order of the Superintendent of Communications. Superintendent Fatima Campos cited the station's "unlawful use of its frequency" as the cause of the shut-down. Radio Sucre's attorney told the media on July 8 that Radio Sucre disagreed with this interpretation and intended to fight the decision. Guayaquil Mayor Jaime Nebot reacted strongly to the decision, claiming that the goal was to "silence many middle-class and poor people who do not agree with President Correa."

CARLOS VERA DEFENDS ACTION

¶6. (SBU) During an unusual and lengthy on-air commentary, celebrated journalist Carlos Vera praised the government's actions. He reminded his large audience that the owners of Filanbanco had "damaged" the state. Vera said that "what the government did today should have been done before and other governments should have done too ... Well done, Mr. President and let it be the beginning of equivalent future action." But he cautioned that the government needed to proceed quickly with auctioning the property to a non-governmental buyer not affiliated with any rival private media concerns.

ASSEMBLY PASSES LANGUAGE ON PRESS

¶7. (SBU) Hours before the government moved against the Isaias-owned media outlets and Radio Sucre, the Constituent Assembly approved six constitutional articles on communication. The language guarantees "free, intercultural, diverse, participatory and inclusive communication and universal access to information technology without discrimination." Monopolies and media control by oligarchies are prohibited. Additionally, the articles guarantee the principle of confidentiality for media sources, and the public's right to information. Of equal importance is the absence of language proposed by PAIS Assembly member Pilar Nunez, who called for more government control of the media and language which would have made government reallocation of television and radio frequencies easier.

COMMENT: A TEST FOR THE CORREA ADMINISTRATION

¶8. (C) On the surface, the AGD's actions against the Isaias-owned media outlets were entirely lawful. Major opposition leaders have not criticized the government's move because the Isaias family, considered responsible for the loss of funds by many small depositors, remains very unpopular and politicians have little to gain by appearing sympathetic towards them. It is probably not a coincidence that the moves come the day after GOE officials delivered the updated extradition package against the Isaias brothers to the State Department in Washington. That said, many of our contacts consider the timing politically motivated to build support for the GOE and the new constitution. Members of the business elite and media observers are on pins and needles to see what the government does next. If the government sells the television stations quickly and makes no other moves in this arena, its claims to be carrying out the law will be proven true and Correa will be remembered for taking on one of the country's most powerful and corrupt economic players

who many others have feared to cross. If further actions call the government's motives into question, or if they retain long-term control of the media outlets, the outcry will be loud and wide-spread. The Correa administration's handling of this issue will in all likelihood serve as a test of their intentions vis-a-vis the future of the media in Ecuador.

Jewell